

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

**IN THE MATTER OF THE TARIFF FILING)
BY CHESAPEAKE UTILITIES CORPORATION)
FOR AN EXTENSION OF THE RATE SCHEDULE)
“TSFF” CALLED TOWN OF SMYRNA)
FRANCHISE FEE RIDER (FILED APRIL 17, 2015))**

PSC DOCKET NO. 15-0950

**DIRECT TESTIMONY OF

JASON R. SMITH

ON BEHALF OF THE STAFF OF THE

DELAWARE PUBLIC SERVICE COMMISSION**

MAY 28, 2015

1 **Q. Please state your name and business address.**

2 A. My name is Jason R. Smith, and my business address is 861 Silver Lake Boulevard,
3 Cannon Building, Suite 100, Dover, Delaware 19904.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by the Delaware Public Service Commission (the “Commission”) as a
6 Public Utility Analyst II.

7 **Q. How long have you been employed by the Delaware Public Service Commission?**

8 A. I have been employed by the Commission since April of 2010.

9 **Q. What is your educational background?**

10 A. I received an Associate of Applied Science Degree from Delaware Technical and
11 Community College in 2005. In 2008, I received a Bachelor of Science Degree in General
12 Studies from Wilmington University. I am presently enrolled in the Masters of Business
13 Administration program at the same institution.

14 **Q. Briefly describe your duties and responsibilities with the Commission.**

15 A. Apart from being the case manager for this proceeding, I examine monthly, quarterly,
16 and annual reports for Chesapeake Utilities Corporation – Delaware Division
17 (“Chesapeake” or the “Company”). This would include the examination of all monthly
18 over/under collection reports, monthly financial statements and summary trial balance
19 reports, quarterly gas hedging reports, quarterly rate of return reports, annual supply

1 plans, and main extension filings. I also serve as case manager for various Chesapeake
2 dockets including annual gas sales service rates filings¹, reviews of requests to modify
3 existing tariffs,² stock and debt issuance filings,³ and tariffs establishing new rate
4 schedules.⁴

5 My other duties and responsibilities with the Commission include serving as a team
6 member or case manager for various Commission dockets which include rate case filings
7 and debt issuances,⁵ perform reviews of various utility applications, monitor monthly
8 financials for Tidewater Environmental Services, Inc. ("TESI"), prepare reports and other
9 schedules in other proceedings, make written recommendations to the Commission,
10 and perform other related tasks as assigned. In conjunction with my work in rate case
11 filings, I participate in the planning and execution of the required audits of regulated
12 companies, including performing a review of supporting documentation at utilities'
13 offices to evaluate and make recommendations regarding the financial and managerial
14 condition of those utility companies.

15 **Q. What is the purpose of your testimony in this proceeding?**

16 A. I was assigned as case manager to review Chesapeake's application seeking approval to
17 continue to charge all of its respective natural gas customers within the Town of Smyrna
18 (the "Town" or "Smyrna") a Town of Smyrna Franchise Fee Rider ("TSFF") surcharge paid

¹ PSC Docket No. 14-0299 filed on September 2, 2014.

² PSC Docket Nos. 13-383 filed October 1, 2013 and 15-0708 filed on February 13, 2015.

³ PSC Docket Nos. 14-0412 filed September 17, 2014 and 14-0418 filed September 25, 2014.

⁴ PSC Docket No. 14-0495 filed October 31, 2014.

⁵ This includes PSC Docket Nos. 14-132 (Artesian Water Company filed April 11, 2014), 13-466 (Tidewater Utilities, Inc. filed November 25, 2013), and 14-0510 (Delmarva Power & Light Company filed November 6, 2014).

1 by Chesapeake to the Town pursuant to a franchise agreement. The purpose of my
2 testimony will be to summarize the application and provide the Commission with a
3 recommendation regarding its treatment.

4 **Q. Please provide a brief summary of the Company's Application.**

5 A. Chesapeake filed its application on April 17, 2015 requesting approval to continue to
6 charge all customers within Smyrna a franchise fee imposed by the Town for providing
7 Chesapeake with the use of public roads and rights-of-way in order to provide natural
8 gas service to Smyrna's residents. This fee reflects the same amount that the Company
9 proposes to collect from the Town's customers in this application, which will then be
10 remitted to Smyrna on an annual basis.

11 The Commission has previously approved a franchise fee for Smyrna; however the
12 previous franchise agreement expired on December 31, 2014.⁶ As a result, at a meeting
13 of Town Council of Smyrna on January 5, 2015 a majority elected to adopt a franchise
14 agreement and subsequently executed the franchise agreement with Chesapeake on
15 March 6, 2015. Under the terms of the franchise agreement, which is in effect until
16 December 31, 2029 and subject to Commission approval, the Company is authorized to
17 collect the franchise fee from the Company's customers within the Town through a
18 surcharge on the customer's bill. Chesapeake is required to pay Smyrna a franchise fee
19 in the amount of \$0.0181 per 100 cubic feet (Ccf) of gas delivered to customers through
20 the Company's distribution system within the limits of Smyrna.

⁶ See PSC Order No. 4671 dated December 17, 1997.

1 To provide a bit of context in terms of financial impact for the average residential
2 customer, while it is important to note that natural gas usage can vary on a variety of
3 factors such as weather or number of appliances using natural gas, it is generally
4 estimated that the average home in the United States uses approximately 168 Ccf of
5 natural gas daily.⁷ In this scenario, a customer using 168 Ccf daily for 30 days during
6 the month could expect a monthly surcharge of \$0.91.⁸

7 **Q. What were your findings regarding your review of the application and exhibits?**

8 **A.** I concluded that during my review of the application and the proposed tariff revisions
9 submitted by Chesapeake that this application was similar to other applications that the
10 Commission has previously approved with similar surcharges. Some of the most
11 recently approved applications include the Town of Frederica⁹, the Town of Selbyville¹⁰,
12 and the Town of Dagsboro¹¹.

13 **Q. Does Staff have a recommendation to the Commission for the treatment of this**
14 **Application?**

15 **A.** Yes. Staff respectfully recommends that the Commission approve Chesapeake's
16 application to continue to charge all of its respective natural gas customers within the
17 Town of Smyrna the franchise fee paid by Chesapeake to the Town pursuant to the
18 franchise agreement subject to the conditions (i) that the TSFF Surcharge shall be

⁷ See https://www.aga.org/sites/default/files/natural_gas_facts.pdf, American Gas Association, at Page 1.

⁸ 168 Ccf per day x 30 days = 5,040 Ccf per month \$0.0181 x (5,040 / 100) = \$0.91

⁹ See PSC Docket No. 14-0495, Order No. 8697 dated January 6, 2015.

¹⁰ See PSC Docket No. 12-276T, Order No. 8195 dated August 7, 2012.

¹¹ See PSC Docket No. 11-400T, Order No. 8070 dated November 8, 2011.

1 effective on or after June 3, 2015; and (ii) Chesapeake shall file revised tariffs with the
2 Commission within five (5) business days of the final date of the Commission's Order.

3 **Q. Do you have any additional matters to address?**

4 A. Yes. I would like to note that no person or entity sought to intervene in this proceeding
5 and no written filed comments were received.

6 **Q. Does this conclude your testimony in this proceeding?**

7 A. Yes.